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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

PHI ACQUISITIONS NSA — Docket No. MC2014-21

PHI ACQUISITIONS NSA — Docket No. R2014-6

NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING OF CONTRACT AND SUPPORTING DATA AND REQUEST TO ADD PHI ACQUISITIONS, INC. NEGOTIATED SERVICE AGREEMENT TO THE MARKET-DOMINANT PRODUCT LIST
(March 5, 2014)

In accordance with 39 U.S.C. § 3622 and § 3642, and 39 C.F.R. § 3010 and § 3020, *et seq.*, the United States Postal Service hereby provides notice that the Governors have authorized the Postal Service to enter into a Negotiated Service Agreement ("NSA") with PHI Acquisitions, Inc. ("PHI" or "Potpourri"). The NSA will become effective on the earlier of July 1, 2014, or on a date agreed to by the parties, and the Postal Service requests that it be added to the market-dominant product list within the Mail Classification Schedule.[1] This is a market-dominant special classification within the meaning of 39 U.S.C. § 3622(c)(10).[2]

The Postal Service represents that it will inform customers of the new classification and associated price effects.[3] In addition to this Notice filed with the Commission today, Notice of the NSA will also be published in the *Federal Register*.

[1] 39 C.F.R. § 3010.42(a)(2), § 3020.31(a), (c).
[2] *Id.* § 3020.31(d).
[3] *Id.* § 3010.42(a)(3).

Thus, public notice is being given more than forty-five (45) days prior to the planned implementation date.

The Postal Service identifies Bruce Allen, Manager of Pricing Innovation, as the official who will be available to provide responses to queries from the Commission.[4] Mr. Allen's contact information is as follows:

Bruce Allen
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475 L'Enfant Plaza S.W.
Room 4316
Washington, D.C. 20260-5015

The remainder of this request describes the NSA, identifies each operative component, and provides details regarding the expected improvements in the net financial position of the Postal Service accruing from it.[5] Attachment A is a copy of the Governors' Resolution establishing the prices and classification and a certification of the Governors' vote.[6] Attachment B is a copy of the NSA between the Postal Service and PHI.[7] Attachment C contains the changes to the Mail Classification Schedule requested in association with this NSA.[8] Attachment D contains the Data Collection Plan.[9] Attachment E is a Statement of Supporting Justification for this request.[10] Attachment F contains the Calculations underlying the financial analysis of the NSA.[11]

As described below, and in the attached Statement of Supporting Justification (Attachment E), the Postal Service believes that the Potpourri NSA conforms to the

[4] *Id.* § 3010.42(a)(4).
[5] *Id.* § 3010.42(b)-(f).
[6] *Id.* § 3020.31(b).
[7] *Id.* § 3010.42(a)(1), (2).
[8] *Id.* § 3020.31(f).
[9] *Id.* § 3010.43.
[10] *Id.* § 3020.32.
[11] *Id.* § 3010.42(c).

policies embodied in the Postal Accountability and Enhancement Act of 2006 ("PAEA"), and meets the statutory standards supporting the desirability of this special classification. 39 U.S.C. § 3622((c)(10). In particular, it has the potential to enhance the Postal Service's long-term financial position, and it will not cause unreasonable harm to the marketplace.

I. Background

Starting with Montgomery Ward in 1872, the catalog has connected households to a world of merchandise through the mailbox. For over 100 years, the Postal Service has served as the only reliable nationwide choice for delivering information about new products and holiday gifts to consumers' homes. Following steep price increases in Standard Mail Flats, the effect of which was exacerbated by the downturn in the economy in 2007, catalog mailers began adjusting their marketing budgets to more aggressively include online programs, with some mailers even eliminating the catalog entirely as a marketing vehicle.[12] While printed catalog mailing still remains an integral component in most leading catalogers' integrated marketing strategy, the low cost digital platform is achieving growing and lower-cost reach than previously available, presenting a more difficult challenge to cost-justify increased catalog volumes as the primary method to reactivate lapsed buyers and prospect for new customers. At the same time that First-Class Mail has been declining, this economic choice has added additional pressure to the financial stability of the Postal Service, constituting a double financial hit for the Postal Service.

[12] Tedeschi, Bob, "By Sacrificing Its Catalog, Will Disney Spoil Its Internet Business?", February 20, 2006 www.nytimes.com/2006/02/20/technology/20ecom.html

By contrast, in 2013, numerous sources of research and case studies cite persistent consumer demand for catalogs[13]. The Postal Service needs to capitalize on this renewed interest in catalogs by providing economic incentives to further drive catalog volume. This ground-breaking Negotiated Service Agreement ("NSA") between the Postal Service and PHI sets forth parameters with the potential to protect and grow Standard Mail Carrier Route Flats mail volume. Although it is unlikely that First-Class Mail will return to historic volumes, by focusing on ways to incent growth in profitable Standard Mail Carrier Route Flats, the Postal Service can increase volume, revenue, and contribution while providing a practical and vibrant economic choice for commercial cataloguers - the most viable industry segment for achieving substantial growth. This NSA will drive accelerated growth in PHI Carrier Route Flats and has the potential to impact the trajectory of Carrier Route Flats among other catalogers, similar to the way that Sunday delivery is impacting the shipping industry. Just as we cannot succeed by maintaining the status quo in the shipping world, neither can we succeed in the omni-channel marketing world without creating new opportunities for growth. As an additional by-product of increased prospecting and raw volume growth for catalogs, we are creating both opportunity and additional incentives for migration from simple Standard Flats to the more profitable Carrier Route category.[13]

[13] Ostroy, Andy and Wong, Polly, "Why E-Commerce Companies Are Creating Catalogs", September 24, 2013
(http://www.huffingtonpost.com/andy-ostroy/why-ecommerce-companies-a_b_3983952.html);
Multichannel Merchant, "MCM Outlook 2013: Ecommerce Research", June 24, 2013
(http://multichannelmerchant.com/mcm-outlook/mcm-outlook-2013-ecommerce-14062013/)
Woodward, Kevin, "Catalogers Book the Highest Converstion Rates, April 2013
(http://www.internetretailer.com/2013/04/29/catalogers-book-highest-conversion-rate-top-500)

To better understand the potential impact of this NSA, a brief synopsis of the economics of circulation planning within the catalog industry may provide additional insight. The goal of circulation planning – fundamentally how much to mail, and to whom – is to optimize contribution to fixed costs (catalog creative, rent, overhead) and profits based on volume-variable cost analysis. Catalogers segment their existing customers based on the recency, frequency, and monetary value ("RFM") of past purchases and project how each cell or segment will respond to a catalog mailing. In a similar fashion, catalogers maintain histories of the performance of every prospect (i.e., those people who have not purchased in the past) list (with selection criteria or enhancement) that has been tested and create a forecast of how each list will perform for the planned catalog mailing. This produces cells/segments/lists of buyers and prospects for each catalog mailing, and each list is evaluated based on its potential contribution to fixed costs based on the variable-cost of mailing that cell or list. For each mailing, a cut-off is established below which buyer cells and prospect lists would be considered unprofitable. While a cataloger may have a potential universe of 10M people available as buyers and prospects, they may only mail to 3.5M because there are 6.5M people considered unprofitable based on projections from the circulation analysis. With postage cost being over half of the volume-variable cost of producing a catalog, any incremental reduction in this expense has the potential to move a portion of those 6.5M people to become either profitable prospects or profitable buyer reactivation. This type of analysis is performed by virtually every cataloger, for every individual title, season, and mailing. Based on this description of circulation planning, discounts in postage clearly have the potential to drive increased catalog volume. The break-even analysis tries to predict which cells or lists will be profitable and desirable to mail, and this number grows as postage declines – each incremental postage discount qualifies more households as catalog-worthy.

This NSA with PHI provides a discount incentive to produce more volume in year one with the opportunity to grow future volumes through a tiered rebate structure built upon specific volume requirements for qualification. If we offer predictable postage rebates for commitments to increased volume (as we do with our competitive products), we believe catalogers will continue to rely upon their traditional circulation planning methods which will result in more catalog volume, with less diversion to digital prospecting initiatives.

In addition to the increased Standard Mail Carrier Route Flat volume, these new mail pieces also generate new "downstream" mail within multiple product categories, also known as the "multiplier effect". Each additional catalog mailed produces new First-Class Mail for orders, notifications, customer service correspondence, and invoicing, along with package fulfillment and merchandise returns, plus additional prospecting volume from other USPS catalog customers mailing to the new recent buyers. It is important to note, however, that the PHI NSA is significantly profitable for the USPS without accounting for the inevitable multiplier effect.

II. Description of the NSA

The objective of this Standard Mail market-dominant NSA is to increase the total contribution the Postal Service receives from PHI Standard Mail Carrier Route Flats volume and revenue. Accordingly, this NSA is intended to generate new, incremental

Standard Mail Carrier Route Flats volume and revenue that will increase PHI's catalog circulation volume and provide contribution to postal institutional costs through agreed-upon rates and eligibility conditions. In this regard, the NSA would provide a rebate for a portion of the postage paid for Standard Mail Carrier Route Flats as a result of volume increases. PHI would qualify for such rebates when PHI's volumes exceed an established volume threshold which, as explained below, takes into account PHI's actual Standard Mail Carrier Route Flats volume history over time. Full-service Intelligent Mail barcode ("IMb") would be required for all qualifying mail volume under this program.

The basic agreement consists of four components: (1) a volume threshold, (2) a volume threshold adjustment, (3) a volume commitment and (4) rebates on Standard Mail Carrier Route Flats.

1. Volume Threshold. The threshold is based on the amount of PHI's total volume for all four categories of Carrier Route Flats (i.e., Saturation, High Density Plus, High Density, Basic) as well as Flats Sequencing System ("FSS") Flats,[14] which bear a full-service IMb. The baseline for the volume threshold is PHI's total volume for the Carrier Route Flats categories and FSS presented to the Postal Service in each of the four quarters in the twelve month period commencing October 1, 2012 and ending September 30, 2013. For the first year of the NSA, the threshold is the Baseline Volume. For the second year of the NSA, the threshold is Year One Annual Volume Growth x Adjustment Factor + Year One

[14] The FSS information is included in the event FSS becomes a category or sub-category during the term of this NSA.

Volume Threshold. For the third year of the NSA, the threshold is Year Two Annual Volume Growth x Adjustment Factor + Year Two Volume Threshold. For the fourth year of the NSA, the threshold is Year Three Annual Volume Growth x Adjustment Factor + Year Three Volume Threshold. For the fifth and final year of the NSA, the threshold is Year Four Annual Volume Growth x Adjustment Factor + Year Four Volume Threshold. If PHI exceeds the threshold in an NSA Quarter (adjusted as described below), it will earn rebates on its qualifying Standard Mail Flats volume. This threshold and the annual adjustments are intended to ensure that PHI's Standard Mail Flats volume will continue to increase over the life of the NSA.

2. Volume Threshold Adjustment. The volume threshold adjustment is intended to ensure that, after rebates, total volume and contribution from PHI's overall business will continue to grow. It adjusts the threshold upward annually to account for the growth of PHI's customer house file as a result of the new customers gained due to the incremental volume created by this NSA. The Annual Baseline Threshold Adjustment for Years Two through Five shall be calculated by multiplying the Annual Volume Growth by the Adjustment Factor and adding it to the previous year's Baseline Volume. The Adjustment Factor itself is based on the incremental response rate for the incremental volume and the aggregate number of catalogs mailed annually to each new buyer. The Annual Baseline Threshold Adjustment for each NSA Baseline Quarter shall be the annual percentage increase in the Baseline Volume applied to each quarter's

baseline. This mechanism is intended to maintain and/or increase overall contribution from PHI mail while establishing thresholds that are achievable for PHI.

3. Volume Commitment. As part of the NSA, PHI has agreed to a volume commitment equal to the threshold. If the amount of PHI's total volume from eligible Standard Mail Flats in the first year of the NSA is less than the threshold, PHI will pay the Postal Service $100,000.

4. Rebates. If PHI exceeds the adjusted Quarterly Baseline Volume in any given NSA Quarter, it will earn rebates on its qualifying Standard Mail Carrier Route Flats volume. The rebate for PHI's qualifying Standard Mail Flats will be determined based on the volume increase above the Quarterly Baseline Volume. A volume increase up to 10% above the Quarterly Baseline will receive a 10% rebate from published rates for all qualifying pieces; a volume increase from 10.01% to 18% above the Quarterly Baseline will receive a 15% rebate from published rates for all qualifying pieces; and a volume increase over 18% above the Quarterly Baseline will receive a 20% rebate from published rates for all qualifying pieces.

Beyond these four basic components, the NSA also contains the following additional elements: (1) clauses within the termination section that tie the continuation of the NSA to a package volume commitment, as well as sustained Postal Service contribution on the incented volume, which allow the Postal Service to terminate the NSA upon thirty (30) days written notice; (2) an acquisition clause, which adjusts the Quarterly Baseline Volumes and Annual Baseline Thresholds to account for increased mailing activity from the acquisition of another company or catalog title; (3) a divestiture clause, which adjusts the Quarterly Baseline Volumes and Annual Baseline Thresholds to account for decreased mailing activity due to the divestiture of a catalog title; (4) a termination clause, which allows either party to end the NSA with thirty (30) days written notice to the other party without penalty, based on certain conditions; (5) an option to renew clause, which allows the parties to renew the NSA for up to five additional years if specified criteria is met; and (6) an incentive programs clause, which states that during the term of this NSA PHI can participate in Postal Service incentive programs for which it may be eligible under the terms of such program. The goal of the incentive program clause is to allow participation while preventing PHI from double-dipping on incentives, while still maintaining the possibility of providing further inducement to volume growth.

The Postal Service regards each of the four main elements described above (i.e., threshold, threshold adjustment, volume commitment and Standard Mail rebates) to be essential components of this NSA. The exact values for each of these elements were determined based on the Postal Service's evaluation of PHI's volume trends, current and future economic conditions, PHI-specific catalog circulation metrics, and negotiation between the parties. Evaluation of these parameters supports the conclusion that the NSA will lead to significant additional revenue and contribution from PHI. This design imperative — to generate additional contribution for the USPS — and the basic structure of the NSA with PHI, as described above, will guide the Postal Service in the negotiation of similar NSAs, and may, in other NSAs, yield parameters that are substantially different from those in this NSA.

In assessing the desirability of this NSA, the Postal Service believes that the defining characteristics of PHI are its size, its large but stagnant catalog mail volume history, and the availability of company mail and catalog data. In offering a similar NSA to other similarly situated customers, the Postal Service will look for all of these characteristics. A similarly situated customer seeking a similar NSA would also need to demonstrate that it had the resources and infrastructure to add significant incremental catalog volume.

III. Financial Analysis

The Postal Service estimates that this NSA will generate additional contribution of $2.501 million in year 1 based on incremental volume of 45.668 million; $3.738 million in year 2 based on incremental volume of 69.899 million; $4.118 million in year 3 based on incremental volume of 79.123 million; $4.472 million in year 4 based on incremental volume of 87.339 million; and $5.082 million in year 5 based on incremental volume of 94.547 million. The corresponding estimated net value to USPS for each year is $1.279 million in year 1; $1.700 million in year 2; $2.087 million in year 3; $2.491 million in year 4; and $3.191 million in year 5. Postal Service estimates that PHI will earn rebates of $1.222 million in year 1 based on an aggregate tier discount of 13.0% applied to eligible rebate volume of 40,374 million; $2.038 million in year 2 based on an aggregate tier discount of 14.9% applied to eligible rebate volume of 57.526 million; $2.031 million in year 3 based on an aggregate tier discount of 14.7% applied to eligible rebate volume of 57.193 million; $1.980 million in year 4 based on an aggregate tier discount of 14.4% applied to eligible rebate volume of 55.909 million; and $1.891 million in year 5 based on an aggregate tier discount of 13.9% applied to eligible rebate volume of 53.811 million.

The estimated adjusted annual average rate of inflation used in Postal Service calculations was based on the following inflation factors: mail processing, window costs, city carrier, rural carrier, vehicle service driver and transportation. The estimated adjusted annual average rate of inflation for year 1 is 5.2% (excluding 7.3% for transportation); year 2 is 3.0% (excluding 3.2% for transportation); year 3 is 3.1% (excluding 3.4% for transportation); year 4 is 3.1% (excluding (3.0%) for transportation); year 5 is 4.7% (excluding -1.6% for transportation);

The calculations supporting Postal Service estimates are provided in the attached Excel workbook "PHI NSA.xls" (Attachment X). These estimates are based on information published in the FY 2013 ACR, USPS-FY13-2, workbook "FY13 Public CS&C Report.xls"; sheet "CS 14"; ECI: Global Insight forecast USSIM/CONTOL0111; Air Freight and Interstate Trucking Costs: CISSIM/TRENDLONG0111; Standard Mail Transportation: Average of Airfreight and Interstate Trucking Costs weighted by proportion of costs; and USPS Business Customer Intelligence.

Based on PHI's volume and revenue trends and Postal Service mail volume in Postal Fiscal Year 2013, the Postal Service estimates that the total volume of PHI's Eligible Standard Mail Flats (CR flats with IMb) will increase by about one percent (1.0%) per year in the absence of this NSA over the course of the next five years provided that projected current and future economic conditions do not deviate significantly from Postal Service projections.

In order to qualify for a rebate, PHI will have to increase the Eligible Standard Mail flats volume at a rate greater than these projections. In the event PHI does not meet volume requirements in the first year, PHI will incur a penalty of $100,000. The tiered rebate structure reflects the economic modeling used in circulation planning for the catalog industry. This economic model factors in lower postage costs which are required to make additional mail volume financially attractive.

Assuming actual CPI and cost inflation rates will be substantially similar to Postal Service estimates and corresponding projected [postage] price increases, the projected incremental gains in circulation over the 5-year term of the NSA should result in an estimated aggregate contribution of approximately $19.912 million and have an estimated aggregate net value of approximately $10.748 million. Accordingly, Postal Service estimates project PHI would earn estimated aggregate rebates totaling approximately $9.163 million over the term of the NSA which would be applied by PHI to defray the costs of the projected incremental increased mail volume for Eligible Standard Mail Flats (CR flats with IMb).

III. Risk

The main risk to this NSA is with respect to projected growth in the absence of such an agreement. While PHI's mail will cover its attributable cost in virtually all cases, to the extent that the Postal Service may have underestimated baseline performance, the value of the NSA is at risk. Additionally, there is the possibility that PHI can achieve discounts without meeting initial projections, and that volume increases may deteriorate in subsequent years without any penalty.

IV. Conclusion

As explained above and in the supporting justification, the Postal Service believes that this NSA will improve the net financial position of the Postal Service and that it is appropriate to add it to the market-dominant products list. The Commission should therefore approve this request as set forth in its rules.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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March 5, 2014

ATTACHMENT A TO REQUEST

GOVERNORS' RESOLUTION

RESOLUTION OF THE GOVERNORS

OF THE

UNITED STATES POSTAL SERVICE

Resolution No. 14-02

Price and Classification Changes

for Market Dominant Categories of Mail

RESOLVED:

Pursuant to section 404(b) and Chapter 36 of title 39, United States Code, the Governors establish price and classification changes for market dominant products. These changes establish a negotiated service agreement with PHI Acquisitions, Inc. ("PHI" or "Potpourri"), which provides PHI with a discount in the form of a rebate for Standard Mail.

These changes shall be implemented on July 1, 2014, or a date mutually agreed upon by the parties, and will be in effect for five years after the implementation date.

Postal management is directed to provide the required public notice and to file with the Postal Regulatory Commission notice of the changes in prices and classifications, in accordance with Part 3010 of Title 39, Code of Federal Regulations.

The foregoing Resolution was adopted by the Governors on January 7, 2014.

Julie S Moore

Julie S. Moore
Secretary, Board of Governors

ATTACHMENT B TO REQUEST

NEGOTIATED SERVICE AGREEMENT

NEGOTIATED SERVICE AGREEMENT BETWEEN THE UNITED STATES POSTAL SERVICE AND PHI ACQUISITIONS, INC.

This Agreement ("Agreement") is made between PHI Acquisitions, Inc., a Delaware Corporation, with its principal place of business located at 101 Billerica Ave, Bldg. #2, N. Billerica, MA, 01862, and its subsidiaries ("PHI" or "Potpourri Group, Inc."), and the United States Postal Service ("Postal Service" or "USPS"), an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law 91-375, as amended, with its principal office at 475 L'Enfant Plaza, SW, Washington, DC 20260. The Postal Service and PHI are referred to herein collectively as the "Parties" and each entity as a "Party."

WHEREAS, it is the intention of the Parties to enter into a Negotiated Service Agreement ("NSA") that will benefit the Postal Service, PHI, and the postal system as a whole, and that will comply with the requirements of the Postal Reorganization Act and the Postal Accountability and Enhancement Act, Public Law 109-435.

NOW, THEREFORE, the Parties agree as follows:

I. PURPOSE AND DESCRIPTION OF NSA

The purpose of this Agreement is to generate new, incremental Standard Mail Class flats volumes and revenues that will increase PHI's catalog circulation volume and provide contributions to postal institutional costs through agreed-upon rates and eligibility conditions.

II. KEY CONDITIONS FOR NSA TREATMENT

The Postal Service finds that the following key conditions, taken together, support this NSA:

A. PHI is a multi-title catalog company that currently has fourteen (14) catalog titles. Its Standard Mail volume primarily consists of product catalogs sent to prospective and existing customers. In the last three (3) government fiscal years, PHI paid an average of approximately $50.5 million in annual postage mailing Standard Mail flats to consumers. Today, more than ninety-five percent (95%) of PHI's Standard Mail flats volume consists of Carrier Route flats (Saturation, High Density Plus, High Density, Basic).

B. Generally, catalog mail volume has been declining. PHI catalog volume, adjusted for acquisitions and USPS promotions, has been essentially flat for the last three (3) years.

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C. This NSA would establish a particularized rate structure for Standard Mail flats for a mailer that has committed to increasing its volume through the process of prospecting. Catalog prospecting occurs when companies invest money to attract first-time buyers or those buyers who have not placed an order from a specific catalog title in a certain period of time. The goal of prospecting is ultimately to obtain a loyal and profitable buyer on a continuing basis.

D. For the purposes of this Agreement, PHI Standard Mail that would be eligible for discounts ("PHI Eligible Mail") shall include all Carrier Route flats (Saturation, High Density Plus, High Density, Basic) and Flats Sequencing System (FSS) flats (if FSS becomes a category or sub-category during the term of this Agreement), which bear a full-service Intelligent Mail Barcode (IMb) sent by PHI and by entities in which PHI holds controlling shares, and by vendors on behalf of PHI. However, at least ninety percent (90%) of PHI's overall annual Standard Mail flats volume should remain PHI Eligible Mail.

E. PHI agrees to document the volume of PHI Eligible Mail that PHI enters under its own, its partners' or its vendors' PostalOne!™ permit accounts, using the associated permits listed below. If PHI obtains or creates new titles or changes the permit numbers for existing titles to enter PHI Eligible Mail, PHI must notify the Postal Service within thirty (30) days of the creation of the new permit number.

Title	Finance Number / Permit Imprint
a. Potpourri	566490 / 1553
b. Catalog Favorites	566490 / 1555
c. NorthStyle	566490 / 1559
d. Expressions	566490 / 1556
e. The Stitchery	566490 / 1561
f. Nature's Jewelry	566490 / 1558
g. The Pyramid Collection	566490 / 1562
h. In the Company of Dogs	566490 / 1557
i. Back in the Saddle	566490 / 1554
j. Serengeti	566490 / 1560
k. Young Explorers	566490 / 1577
l. Whatever Works	566490 / 1664
m. Country Store	566490 / 925
n. Cuddledown	566490 / 1244

F. PHI is eligible to participate in any incentive programs that the Postal Service offers during the term of this Agreement for which it may be eligible under the terms of such program. However, if PHI participates in any such program in which discounts or rebates are based on the incremental volume of mail that PHI enters during the incentive period ("Volume Based Incentive"), it shall provide notice to the Postal Service of its participation in such Volume Based Incentive,

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specifying (in a manner acceptable to the Postal Service): 1) how it will account for the volume entered pursuant to such Volume Based Incentive; and 2) the amounts of any such volumes that earn the incentive discount mailed by PHI or discounts earned by PHI as the result of its participation in such Volume Based Incentive. Volumes and discounts from a Volume Based Incentive may be adjusted to insure that discounts or incentives are not double-counted. Any discounts, rebates earned, or volumes mailed by PHI pursuant to any incentive program which is not a Volume Based Incentive are not subject to deduction from the computation of volumes eligible for rebates or rebates pursuant to this Agreement.

III. ELIGIBLE MAIL THRESHOLDS AND CALCULATIONS

A. *Eligible Mail Threshold.* In consideration of the rebates available to PHI under this Agreement, PHI intends to enter into the mails an amount of PHI Eligible Mail sufficient to meet, at a minimum, the adjusted Annual Volume Threshold for PHI Eligible Mail specified below in Section III.C during the term of this Agreement.

B. *Volume Threshold Calculation.*

1. Baseline Volume. The Year One Baseline Volume is the aggregate volume of PHI Eligible Mail presented to the Postal Service in each of the four (4) quarters in the twelve (12) month period beginning October 1, 2012 and ending September 30, 2013 and shall be computed separately for each such quarter ("Quarterly Baseline Volumes" or "NSA Baseline Quarter") and in aggregate to determine the Year One Baseline Volume. The Year One Baseline Volume for each quarter is:

- October 1 to December 31:	53.194 million
- January 1 to March 31:	39.458 million
- April 1 to June 30:	46.156 million
- July 1 to September 30:	63.818 million.

The Year One Baseline Volume Threshold is the sum of those four (4) quarters and equals 202.626 million. The annual baseline adjustments specified in Section III.B.3, Section III.B.4, Section III.D, and Sections IV.F and IV.G (if applicable) shall be computed for each Quarterly Baseline Volume as therein provided.

2. Implementation Date. For all purposes of this Agreement, the "Agreement Year" is the twelve (12) month period following the "Implementation Date" and each anniversary thereafter, and each quarter thereof shall be an "Agreement Quarter." The Implementation Date is July 1, 2014, or a date mutually agreed upon by the Parties.

3. Annual Baseline Threshold Adjustment. The Baseline Volume shall be adjusted upward annually to account for the growth of PHI's customer house file as a result of the incremental volume created by this NSA. The

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Parties agree to determine and agree on the Annual Baseline Threshold Adjustment and the resulting Quarterly Baseline Volume for each Agreement Year after Year One of this Agreement, which shall be determined within forty-five (45) days after the close of the previous Agreement Year.

4. Annual Baseline Threshold Adjustment Calculation. The Annual Baseline Threshold Adjustment for Years Two through Five shall be calculated by multiplying the Annual Volume Growth by the Adjustment Factor (0.145) and adding it to the previous year Baseline Volume. The Annual Baseline Threshold Adjustment for each NSA Baseline Quarter shall be the annual percentage increase in the Baseline Volume applied to each quarter's baseline.

i. Annual Volume Growth – The Annual Volume Growth represents incremental volume above the Baseline Volume for the previous Agreement year.

ii. Adjustment Factor – The Adjustment Factor represents the average response rate for the incremental volume created by prospecting across all PHI titles (0.898 %) multiplied by the number of times each new-to-file buyer is mailed a PHI title annually (16.13). The Adjustment Factor is therefore 0.00898 X 16.13, or 0.145.

iii. Review of Adjustment Factors – The Postal Service reserves the right, upon written request, to review the Adjustment Factor figures (the most recent twelve (12) month mailings to new buyers to PHI's house file and the analysis of the average incremental response rate) at any time during the term of this Agreement. PHI will provide the data and analysis of those Adjustment Factors within forty five (45) days of such request in a form and method comparable to the data provided for this Agreement. After review, the Adjustment Factors may be revised by mutual agreement of the Parties, to be implemented for the next Agreement Year that begins six (6) or more months after the data request; the revised Adjustment Factors will be used for all future such calculations unless they are further revised as specified herein. For example, if a review is requested eighteen (18) months after the Implementation Date of the Agreement, the data and analysis will be provided within the next forty-five (45) days; if the parties agree to change the Adjustment Factors at that time, they will become effective at the end of Agreement Year Two to arrive at the Agreement Year Three Volume Thresholds; ensuing Threshold calculations will use those factors unless they are further revised.

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C. Annual Volume Threshold

1. Year One Volume Threshold. The volume threshold for Year One of this Agreement is the Baseline Volume, as defined in Section III.B.1, above.

2. Year Two Volume Threshold. The volume threshold for Year Two of this Agreement is (Year One Annual Volume Growth x Adjustment Factor + Year One Volume Threshold).

3. Year Three Volume Threshold. The volume threshold for Year Three of this Agreement is (Year Two Annual Volume Growth x Adjustment Factor + Year Two Volume Threshold).

4. Year Four Volume Threshold. The volume threshold for Year Four of this Agreement is (Year Three Annual Volume Growth x Adjustment Factor + Year Three Volume Threshold).

5. Year Five Volume Threshold. The volume threshold for Year Five of this Agreement is (Year Four Annual Volume Growth x Adjustment Factor + Year Four Volume Threshold).

   For example, the following is a hypothetical Volume Threshold calculation for Year Two of this NSA. Assume that the Year One Baseline Volume of PHI Eligible Mail is 200 million. Assume that PHI mails 250 million pieces of PHI Eligible Mail in Year One of this NSA. Then the Year Two Volume Threshold is the Year One Annual Volume Growth (50 million) x Adjustment Factor (0.145) + Year One Baseline Volume (200 million) = 207.25 million--the Year Two Volume Threshold. This will result in each Quarterly Baseline Volume increasing by the percent growth of the Annual Baseline or 7.25/200 = 3.625%. For the Year Three Volume Threshold calculation, the same calculation would be done using the above Year Two Baseline as the Threshold.

D. Effect of General Price Adjustments

In the event that, between November 1, 2013 and the Implementation Date of this NSA, or during the term of this Agreement, there are postal rate increases or changes in classification or classes or other changes on Standard Flats mail or FSS pricing that would result in a year-over-year Increased Total Annual Postage ("Increased Total Annual Postage") for PHI Eligible Mail greater than twenty (20) basis points more than the January CPI-U preceding the implementation of that postal change, then there will be a revision to the then current Annual Volume Threshold ("Revised Annual Volume Threshold") and the following Quarterly Baseline Volumes ("Revised Quarterly Baseline Volume") in that Agreement Year. The Total Annual Postage ("Total Annual Postage") is the actual total postage costs after workshare discounts and workshare costs, summed for the most recent four (4) completed Agreement Quarters prior to the announcement of the implementation date of changes impacting the Total

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Annual Postage of PHI Eligible Mail; the Total Annual Postage increase is determined by calculating the Increased Total Annual Postage for that period and subtracting the Total Annual Postage for the same period. This increase, divided by the Total Annual Postage for that period, is the increase percentage. Such increase percentage, if greater than twenty (20) basis points more than the January CPI-U, will be multiplied times a factor of 1.4 to arrive at the Adjustment Percent ("Adjustment Percent") which will be used to adjust Quarterly Baseline Volumes and Annual Volume Thresholds as specified below. The Quarterly Baseline Volumes, starting with the quarter of the postage increase implementation, will be decreased by the Adjustment Percent. These Revised Quarterly Baseline Volumes will be the new Quarterly Baseline Volumes for the Year Of Price Adjustment ("Year Of Price Adjustment" or "YOPA") and their sum, with any YOPA Quarterly Baseline Volumes that were not adjusted, will be the YOPA Revised Annual Volume Threshold as defined in Sections III.B and III.C above. The Annual Baseline Threshold Adjustment calculation for the Year Following the Price Adjustment ("Year Following Price Adjustment" or "YFPA") and the resulting Quarterly Baseline Volume adjustments will be calculated as specified in Sections III.B and III.C using the YOPA Revised Annual Volume Threshold. After the YFPA Quarterly Volume Baseline calculation, any Quarters not already adjusted by the Adjustment Percent in YOPA will be reduced by the Adjustment Percent; the sum of all four (4) Quarterly Baseline Volumes in YFPA is the Annual Volume Threshold for the YFPA. The Parties agree to promptly review, revise, and agree on the Total Annual Postage increase and the YOPA Annual Volume Threshold and YOPA Quarterly Baseline Volumes within thirty (30) days of the USPS announcement of date of implementation of changes impacting the Total Annual Postage.

For example, the following is a hypothetical adjustment based on a Postal Service rate change that would result in a Total Annual Postage increase of 5%, implemented in August when the CPI-U in the preceding January of that year was 2% (and Postage rates were previously increased in that January by 2%) with the Agreement Year beginning in April (Q1). Since the 5% increase is greater than twenty (20) basis points more than the CPI-U of 2%, then the adjustment is made. The calculation is the Total Annual Postage increase of 5% times 1.4 which equals an Adjustment Percent of a 7% reduction in the Quarterly Baseline Volume in each of the remaining quarters in that Agreement Year beginning in July (Q2, the first Quarter of increase implementation) of that year, October (Q3), and ending with and including the quarter beginning in January (Q4). The Revised Annual Volume Threshold for the current year will be the sum of the Revised Quarterly Baseline Volumes and the Quarterly Baseline Volumes that did not change in that year (Q1 in this example). At the end of that Agreement Year, the calculation of the YFPA Annual Volume Threshold and resulting Quarterly Baseline Volume will be calculated as specified in Sections III.B and III.C using the Revised Annual Volume Threshold for the YOPA to determine the Annual Volume Growth for the YOPA; the Annual Volume Threshold for the

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YFPA is calculated; the YFPA Quarterly Baseline Volumes are calculated; then any Quarterly Baseline Volumes not already reduced by the Adjustment Percent in the YOPA (Q1 in this example) will be reduced by the Adjustment Percent of 7% and together will be the final YFPA Quarterly Baseline Volumes for that year; the Annual Volume Threshold for YFPA is the sum of the final Quarterly Baseline Volumes for the YFPA. Note that, if the rate increase of 5% was implemented in place of the January 2% increase, the adjustment would be the 5% increase less the CPI-U of 2% equals 3% X 1.4 resulting in an Adjustment Percentage of 4.2%.

E. Penalty. In Agreement Year One, if PHI does not meet the Annual Baseline Threshold, defined pursuant to Section III.C.1, as adjusted by Section III.D, Sections IV.F and IV.G, PHI shall pay the Postal Service $100,000. The determination of any penalty due shall be made within sixty (60) days of the end of the first Agreement Year.

IV. REBATE CALCULATIONS AND PAYMENT

A. *Rebate Eligibility.* The NSA rebate price structure set forth below applies only to PHI Eligible Mail under this Agreement, as defined above. Rebates will be credited to PHI's permit or CAPS account.

B. *Rebates.* PHI shall be eligible each Quarter for a discount in the form of a rebate on all PHI Eligible Mail above the Quarterly Baseline Volume for that quarter. The rebate shall be paid on a quarterly basis. All accounting adjustments shall be completed and mutually agreed to by the Parties within thirty (30) days of the end of each Agreement Quarter. All mail that is entered under this Agreement will pay the applicable published prices in effect at the time of mailing, subject to the quarterly rebate based on the following Agreement price schedule by tiers:

TIER	Volume Increase Above Quarterly Baseline Threshold	Rebate
Tier A	Up to 10%	10% off published rates at the time of mailing
Tier B	10.01 to 18%	15% off published rates at the time of mailing
Tier C	Above 18%	20% off published rates at the time of mailing

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C. *Calculation and Payment.* The rebate shall be calculated as the difference between the postage actually paid at the time of entry and the postage that would have been paid under the above Agreement price schedule. The quarterly rebate so calculated shall be paid to PHI within forty-five (45) days after the end of each NSA Baseline Quarter.

D. *Failure to Meet Annual Threshold.* If, at the end of any Agreement Year, PHI has not met the Annual Volume Threshold for that Agreement Year as defined in Section III.C and as further adjusted by Section III.D above, and Sections IV.F and IV.G below, the Postal Service may terminate the Agreement upon thirty (30) days written notice, and such termination shall be effective as of the first day of the next Agreement Quarter after notification.

E. *PHI Eligible Mail Accounting.* PHI will provide the Postal Service with a list of the PostalOne!™ permit accounts and their locations that will determine PHI's eligibility for discounts. Permit accounts will be used in determining eligibility for discounts only upon the Postal Service's written acknowledgement of their transmission from PHI. The data in these permit accounts will be used to determine whether the NSA Baseline Quarter volumes and Agreement Year Threshold volumes have been reached and the volumes that qualify for rebates in this Agreement. The Postal Service shall keep such data in a form auditable by PHI.

F. *Acquisition or Creation of New Catalog Title.* The Parties agree that the Quarterly Baseline Volumes and Annual Volume Thresholds will be adjusted when PHI acquires any existing catalog brand or title from another entity ("Revised Quarterly Baseline Volumes" and "Revised Annual Volume Thresholds"). The adjustment shall be based on mail volumes equal to 80% (eighty percent) of the total Standard Mail flats mailed by the acquired catalog brand or title in each of the four (4) most recent, completed Agreement Quarters preceding the closing date of acquisition. Such volume of the acquired title will be added to the respective and current Quarterly Baseline Volumes starting with the next Agreement Quarter beginning after the date of acquisition to establish Revised Quarterly Baseline Volumes through the fourth Agreement Quarter of that Agreement Year ("Year Of Acquisition" or "YOA"). The Revised Quarterly Baseline Volume will become effective on the first Agreement Quarter that begins after the acquisition, and the Revised Annual Volume Threshold will be the sum of the four (4) Quarterly Baseline Volumes, using any Revised Quarterly Baseline Volumes that had mail volume added due to the acquisition. The quarterly volumes from the acquired company that apply to the next Agreement Year ("Year Following Acquisition" or "YFA") will be added to their respective quarters after the Annual Baseline Threshold Adjustment and the resulting Quarterly Baseline Volumes are calculated for that year. The Annual Volume Threshold adjustment calculation for the YFA and the resulting Quarterly Baseline adjustments will be calculated as specified in Sections III.B and

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III.C using the Revised Annual Volume Threshold of YOA described above; after the new Quarterly Baseline Volume calculation for YFA, the quarterly volume adjustments from the acquisition that were not added in the YOA will be added to the respective Quarterly Baseline Volumes in the YFA. The Annual Volume Threshold for the YFA is then the sum of the four (4) Quarterly Baseline Volumes after adjustment for the acquisition. The Parties agree to promptly review and agree on all adjustments for the YOA Revised Quarterly Baseline Volumes and YOA Revised Annual Volume Thresholds within thirty (30) days of any acquisition.

For example, the following is a hypothetical acquisition adjustment. Assume the Agreement Year begins in April (Q1), and the acquisition closing date is in August (the middle month of Q2). The acquired catalog had total Standard Mail flats quantities in completed Agreement Quarters, working back from the date of acquisition, of 5 million in Q1 (Apr-Jun), 6 million in Q4 (Jan-Mar), 8 million in Q3 (Oct-Dec), and 4 million in Q2 (Jul-Sep). Therefore, the first adjustment is to add 80% (eighty percent) of the acquisition's total Standard Mail flats quantities to the remaining Quarterly Baseline Volumes in the current Agreement Year, the YOA; add 6.4 million to Q3 (the next beginning Quarter) and 4.8 million to Q4 (the last Baseline Quarter in the Agreement Year). The Revised Annual Volume Threshold for the YOA will be the sum of the Quarterly Baselines for Q1 and Q2 (that have not been adjusted) with the Revised Quarterly Baselines for Q3 and Q4 (which have been adjusted) to arrive at the Revised Annual Volume Threshold. This Revised Annual Volume Threshold will be used to calculate the next Annual Volume Threshold for the YFA and the next Quarterly Baseline Volumes for the YFA as defined in Sections III.B and III.C. Then the volume of PHI Eligible Mail from the acquisition that was not added in the YOA will be added to the resulting Quarterly Baselines; 4 million to Q1 and 3.2 million to Q2. The sum of the four (4) Quarterly Baselines will then be the new Annual Volume Threshold for the YFA.

New catalog brands or titles created by PHI, which will be mailed as PHI Eligible Mail will be added to this NSA volume for purposes of meeting the Annual Baseline Thresholds and the Quarterly Baseline Volumes and will be treated as incremental mail after notification to the Postal Service that a new catalog brand or title has been created. A new catalog brand or title is one that has never been mailed and has no Buyer file. The Annual Baseline Threshold and the Quarterly Baseline Volumes will not be adjusted for newly created catalogs or titles, since this new volume is incremental.

PHI shall notify the Postal Service of any acquisition or creation of a new catalog brand or title within thirty (30) days of the acquisition or creation of a new title. The notification must include:

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1. the name of the acquired or new catalog brand or title and the closing date of acquisition
2. if an acquired catalog brand or title, the total Standard Mail flats volume from the acquired entity for each of the four (4) completed Agreement Quarters preceding the date of acquisition
3. if an acquired catalog brand or title, a list of the meters and PostalOne!™ permit accounts and their locations through which the Standard Mail flats volume was processed
4. if an acquired catalog brand or title, a list of the CAPS accounts, if any, used by the acquired catalog brand or title
5. the PostalOne!™ permit accounts that will be associated with the acquired or new catalog brand or title

G. Divestiture of Existing Catalog Title. The Parties agree that the Quarterly Baseline Volumes and Annual Volume Thresholds will be adjusted downward to the extent that PHI divests itself of a catalog brand or title that was included in PHI Eligible Mail and Annual Volume Threshold calculations. The adjustment shall be based on mail volumes equal to the total PHI Eligible Mail volume lost from that catalog brand or title in each of the four (4) most recent completed Agreement Quarters preceding the closing date of divestiture of the catalog brand or title. Such volume of the divested title will be subtracted from the respective and current Quarterly Baseline Volumes starting with the next Agreement Quarter beginning after the date of divestiture to establish new Quarterly Baseline Volumes through the fourth Agreement Quarter of that Agreement Year ("Year Of Divestment" or "YOD"). The Revised Quarterly Baseline Volume will become effective on the first Agreement Quarter that begins after the divestiture, and the Revised Annual Volume Threshold will be the sum of the four (4) Quarterly Baseline Volumes, using any Revised Quarterly Baseline Volumes that had quantities subtracted due to the divestiture. The quarterly volumes from the divested brand that apply to the next Agreement Year ("Year Following Divestment" or "YFD") will be subtracted from their respective quarters after the Annual Baseline Threshold Adjustment and the resulting Quarterly Baselines Volumes are calculated for that year. The Annual Volume Threshold adjustment calculation for YFD and the resulting Quarterly Baseline Adjustments will be calculated as specified in Sections III.B and III.C using the Revised Annual Threshold of the YOD described above; after the new Quarterly Baseline Volume calculation for YFD, the quarterly volume adjustments from the divestment that were not subtracted in the YOD will be subtracted from the respective Quarterly Baseline Volumes in the YFD. The Annual Baseline Threshold for the YFD is then the sum of the four (4) Quarterly Baselines after adjustment for the divestment. The Parties agree to promptly review and agree on all adjustments for the YOD Revised Quarterly Baseline Volumes and YOD Revised Annual Thresholds within thirty (30) days of any divestment.

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For example, the following is a hypothetical divestment adjustment. Assume the Agreement Year begins in April (Q1), and the divestment closing date is in August (the middle month of Q2). The divested catalog had PHI Eligible Mail quantities in completed Agreement Quarters, working back from the date of divestment, of 5 million in Q1 (Apr-Jun), 6 million in Q4 (Jan-Mar), 8 million in Q3 (Oct-Dec), and 4 million in Q2 (Jul-Sep). Therefore, the first adjustment is to subtract the divestment's PHI Eligible Mail quantities from the remaining Quarterly Baseline Volumes in the current Agreement Year, the YOD; subtract 8 million from Q3 (the next beginning Quarter) and 6 million form Q4 (the last Baseline Quarter in the Agreement year). The Revised Annual Threshold calculation for the YOD will be the sum of the Quarterly Baselines for Q1 and Q2 (that have not been adjusted) with the Revised Quarterly Baselines for Q3 and Q4 (which have been adjusted) to arrive at the Revised Annual Volume Threshold. This Revised Annual Volume Threshold will be used to calculate the next Annual Volume Threshold YFD and the next Quarterly Baseline Volumes YFD as defined in Sections III.B and III.C. Then the volume of PHI Eligible Mail from the divested title that was not subtracted in the YOD will be subtracted from the resulting Quarterly Baselines; 5 million from Q1 and 4 million from Q2. The sum of the four (4) Quarterly Baselines will then be the new Annual Volume Threshold for the YFD.

PHI shall notify the Postal Service of any divestiture of any catalog title that was previously included in PHI Eligible Mail. The notification must include

1. the name of the divested catalog brand or title and the closing date of divestment
2. the PHI Eligible Mail volume of this brand or title for each of the four (4) complete NSA Quarters preceding the divestiture of the catalog brand or title
3. the meters and PostalOne!™ permit accounts and their locations through which the PHI Eligible Mail for that title was processed
4. an indication of whether those accounts and meters will continue to be used for PHI Eligible Mail

V. COMPLIANCE AND OTHER ISSUES

A. *Compliance.* Each Party will make necessary records and data available to the other Party to facilitate and monitor compliance with this Agreement.

B. *Appeals.* PHI may appeal a Postal Service decision regarding prices, the calculation of prices or rebates, the amount of rebates paid, or other implementation or operational issues under this Agreement by submitting a written appeal within thirty (30) days of receipt of notification of the determination giving rise to the appeal to: Manager, Pricing and

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Classification Service Center (PCSC), 90 Church St. Ste. 3100, New York, NY 10007-2951 ((212) 330-5300 / Fax: (212) 330-5320)). The decision of the Manager, PCSC, will be administratively final. PHI, however, does not waive any appeal rights provided by federal law or Postal Service regulations. The foregoing appeal process relates only to the issues identified above that arise from implementation of this Agreement. Any decision that is not appealed as prescribed becomes the final Postal Service decision.

C. *Regulatory Review and Effective Date.* This Agreement is subject to approval by Postal Service senior management and/or the Governors of the Postal Service ("the Governors"), as well as by the Postal Regulatory Commission. In accordance with Title 39, United States Code, and the Commission's Rules of Practice and Procedure, 39 C.F.R. Chapter III, and upon approval of the Governors, the Postal Service will make required filings with the Commission. The "Effective Date" of this Agreement shall be the day after the Commission issues all necessary regulatory approval.

D. *Termination.*
Throughout the term of this Agreement, either Party may only terminate this Agreement with thirty (30) days written notice to the other Party as a consequence of (i) an act of God, (ii) fraud, (iii) indictment, (iv) insolvency, (v) inability of either Party to perform under this Agreement, (vi) total PHI domestic package volume originating from a PHI warehouse, delivered to a residence by the Postal Service is less than 80% of PHI's total outbound residential package volume, (vii) the determination by the USPS at the end of any Agreement Year, based on published USPS cost data, that the agreement failed to produce positive contribution to USPS fixed costs from the total incremental NSA volume in that year, or (viii) if ordered to terminate this Agreement by a court with valid jurisdiction, or the Postal Regulatory Commission.

E. *Expiration Date. This Agreement shall expire five (5) years from the Implementation Date, unless (i) terminated or cancelled by one of the Parties pursuant to Section V.D, (ii) renewed by mutual agreement in writing, and subsequent approval by the Governors and the Commission, (iii) superseded by a subsequent Agreement between the Parties, (iv) ordered by a court, or (v) otherwise required to comply with subsequently enacted legislation.*

F. *Option to Renew.* PHI shall have an option (but not the obligation) to renew this Agreement for an additional period of years (not to exceed five (5) years) if it meets the criteria provided in this paragraph. In order to qualify for the exercise of the renewal option, PHI must have had an average annual volume of PHI Eligible Mail during Agreement Years Two, Three, and Four that exceeds the average Annual Thresholds for such years by at least ten percent (10%). If PHI qualifies to exercise such option, it shall give written notice to the Postal Service of the exercise thereof not more than three (3)

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months after the completion of Agreement Year Four; and within ninety (90) days after the exercise of the option, the parties shall complete a review of the discount structure specified in this Agreement and the Adjustment Factor defined in Section III. 4. ii, on the basis of the actual mix by sortation and drop entry level of PHI Eligible Mail, and the contribution received by the Postal Service from such mail. The Parties shall in good faith negotiate and mutually agree upon changes in the discount structure and Adjustment Factor as may be appropriate to preserve the value of the Agreement to both parties.. Such agreement shall not be unreasonably withheld. Any amended agreement shall be submitted for review and approval by the Board of Governors. Upon approval by the Board of Governors, the Postal Service shall make the requisite filings at the Postal Regulatory Commission to secure approval of the subsequent agreement, including temporary extension of the original term, if necessary, to complete the renewal. If the Agreement is renewed as herein provided, it shall remain in full force and effect for the term of years specified in the option. The Baseline Quarterly and Annual Thresholds for the First Year of the renewal period (Year Six of the Agreement) shall be calculated from the Annual and Quarterly Baselines in Year Five as specified in Section III of the Agreement, "Eligible Mail Thresholds and Calculations".

VI. AMENDMENTS

This Agreement shall not be amended except expressly, in writing, by authorized representatives of the Parties.

VII. ASSIGNMENT

Neither Party may, or shall have the power to, assign its rights under this Agreement or delegate its obligations hereunder, except in connection with a transfer of all or a majority of PHI assets or stock to new ownership, without the prior consent of the other; such consent is not to be unreasonably withheld. In addition, in the event that PHI is merged with or into another entity in connection with such sale or transfer, pricing under this Agreement following such merger shall apply only to mail sent by the entity existing prior to the merger. Following any such merger, the Parties may negotiate in good faith to extend, modify or enter into a new Agreement applicable to the merged entity.

VIII. PUBLIC COMMUNICATIONS

The form, substance, and timing of any press release or other public disclosure of matters related to this Agreement shall be mutually agreed to by PHI Acquisitions, Inc. and the Postal Service in writing which consent shall not be unreasonably withheld, except to the extent of disclosure which PHI Acquisitions, Inc. or the Postal Service is required by law to make, in which instance the non-disclosing Party shall be advised and the Parties shall use their reasonable efforts to cause a mutually agreeable

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disclosure to be issued. The Postal Service acknowledges that data provided from PHI and about PHI business practices and methods, except such data that is in this NSA or required by the Commission to be filed in a data collection report, are considered to be confidential and/or trade secrets.

IX. WAIVER

Any waiver by a Party shall not constitute a waiver for any future occurrence. No waiver shall be valid unless set forth in a writing executed by the Party waiving such provision.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

UNITED STATES POSTAL SERVICE

By: [signature]

Printed Name: Cliff Rucker

Title: VP Sales

Date: 1/23/14

PHI ACQUISITIONS, INC.

By: [signature]

Printed Name: Jonathan Fleischmann

Title: President and CEO

Date: 1-20-14

ATTACHMENT C TO REQUEST
MAIL CLASSIFICATION CHANGES

1600 NEGOTIATED SERVICE AGREEMENTS

1635 PHI ACQUISITIONS, INC. NEGOTIATED SERVICE AGREEMENT

Eligible Mail: PHI Standard Mail that would be eligible for discounts under this section is defined as all Carrier Route flats (e.g., Saturation, High Density Plus, High Density, Basic) and Flats Sequencing System ("FSS") flats (if FSS becomes a category or sub-category during the term of the NSA), which bear a full-service Intelligent Mail Barcode ("IMb") sent by PHI and by entities in which PHI holds controlling shares, and by vendors on behalf of PHI. At least ninety percent (90%) of PHI's overall annual Standard Mail flats volume should remain PHI Eligible Mail. If PHI obtains or creates new titles or changes the permit numbers for existing titles to enter PHI Eligible Mail, PHI must notify the Postal Service within thirty (30) days of the creation of the new permit number.

Eligible Mail Thresholds and Calculations: The following adjusted volume thresholds for otherwise eligible Carrier Route flats and FSS flats which bear a full-service IMb must be met before any rebates under this section are payable. If PHI participates in any program in which discounts or rebates are based on the incremental volume of mail that PHI enters during the incentive period ("Volume Based Incentive"), it shall provide notice to the Postal Service specifying (in a manner acceptable to the Postal Service) (1) how it will account for the volume entered pursuant to such Volume Based Incentive and (2) the amounts of any such volumes that earn the incentive discount mailed by PHI or discounts earned by PHI as the result of its participation in such Volume Based Incentive. Volumes and discounts from a Volume Based Incentive may be adjusted to insure that discounts or incentives are not double-counted. Any discounts, rebates earned, or volumes mailed by PHI pursuant to any incentive program which is not a

Volume Based Incentive are not subject to deduction from the computation of volumes eligible for rebates or rebates pursuant to the NSA.

a. Baseline Volume. The Year One Baseline Volume is the aggregate volume of PHI Eligible Mail presented to the Postal Service in each of the four (4) quarters in the twelve (12) month period beginning October 1, 2012 and ending September 30, 2013. The Year One Baseline Volume for each quarter is:

October 1 to December 31:	53.194 million
January 1 to March 31:	39.458 million
April 1 to June 30:	46.156 million
July 1 to September 30:	63.818 million

b. Annual Baseline Threshold Adjustment. The Baseline Volume shall be adjusted upward annually to account for the growth of PHI's customer house file due to NSA incremental volume.

c. Annual Baseline Threshold Adjustment Calculation. The Annual Baseline Threshold Adjustment for Years Two through Five shall be calculated by multiplying the Annual Volume Growth by the Adjustment Factor (0.145) and adding it to the previous year Baseline Volume. The Annual Baseline Threshold Adjustment for each NSA Baseline Quarter shall be the annual percentage increase in the Baseline Volume applied to each quarter's baseline.

i. Annual Volume Growth – The Annual Volume Growth represents incremental volume above the Baseline Volume for the previous Agreement year.

ii. Adjustment Factor – The Adjustment Factor represents the average response rate for the incremental volume created by prospecting across all PHI titles (0.898 %) multiplied by the number of times each new-to-file buyer is mailed a PHI title annually (16.13). The Adjustment Factor is therefore 0.00898 X 16.13, or 0.145.

iii. Review of Adjustment Factors – The Postal Service reserves the right, upon written request, to review the Adjustment Factor figures (the most recent twelve (12) month mailings to new buyers to PHI's house file and the analysis of the average incremental response rate) at any time during the term of the NSA. PHI will provide the data and analysis of those Adjustment Factors within forty-five (45) days of such request in a form and method comparable to the data provided for the NSA. After review, the Adjustment Factors may be revised by mutual agreement of the Parties, to be implemented for the next Agreement Year that begins six (6) or more months after the data request; the revised Adjustment Factors will be used for all future such calculations unless they are further revised as specified herein.

d. Annual Volume Threshold.

1. Year One Volume Threshold. The volume threshold for Year One of the NSA is the Baseline Volume.

2. Year Two Volume Threshold. The volume threshold for Year Two of the NSA is (Year One Annual Volume Growth x Adjustment Factor + Year One Volume Threshold).

3. Year Three Volume Threshold. The volume threshold for Year Three of the NSA is (Year Two Annual Volume Growth x Adjustment Factor + Year Two Volume Threshold).

4. Year Four Volume Threshold. The volume threshold for Year Four of the NSA is (Year Three Annual Volume Growth x Adjustment Factor + Year Three Volume Threshold).

5. Year Five Volume Threshold. The volume threshold for Year Five of the NSA is (Year Four Annual Volume Growth x Adjustment Factor + Year Four Volume Threshold).

Rebate. The NSA rebate price structure set forth below applies only to PHI Eligible Mail and any such rebate will be credited to PHI's permit or CAPS account. PHI shall be eligible each Quarter for a discount in the form of a rebate on all PHI Eligible Mail above the Quarterly Baseline Volume for that quarter, subject to accounting adjustments, the amount of which shall be payable on a quarterly basis. All mail that is entered under the NSA will pay the applicable published prices in effect at the time of mailing, subject to the quarterly rebate based on the following Agreement price schedule by tiers:

TIER	**Volume Increase Above Quarterly Baseline Threshold**	**Rebate**
Tier A	Up to 10%	10% off published rates at the time of mailing
Tier B	10.01 to 18%	15% off published rates at the time of mailing
Tier C	Above 18%	20% off published rates at the time of mailing

1. Calculation and Payment. The rebate shall be calculated as the difference between the postage actually paid at the time of entry and the postage that would have been paid under the above Agreement price schedule. The quarterly rebate so calculated shall be paid to PHI within forty-five (45) days after the end of each NSA Baseline Quarter.

2. PHI Eligible Mail Accounting. PHI will provide the Postal Service with a list of the PostalOne!™ permit accounts and their locations that will determine PHI's eligibility for

discounts. Permit accounts will be used in determining eligibility for discounts only upon the Postal Service's written acknowledgement of their transmission from PHI. The data in these permit accounts will be used to determine whether the NSA Baseline Quarter volumes and Agreement Year Threshold volumes have been reached and the volumes that qualify for rebates in the NSA.

Penalties. In Agreement Year One, if PHI does not meet the Annual Baseline Threshold, as adjusted, PHI shall pay the Postal Service $100,000 and such penalty determination shall be made within sixty (60) days of the end of said period. If, at the end of any Agreement Year, PHI has not met the Annual Volume Threshold for that Agreement Year, the Postal Service may terminate the Agreement upon thirty (30) days' written notice. Such termination shall be effective as of the first day of the next Agreement Quarter after notification.

Acquisitions and Divestitures

1. Acquisition or Creation of New Catalog Title. The Quarterly Baseline Volumes and Annual Volume Thresholds will be adjusted when PHI acquires any existing catalog brand or title from another entity ("Revised Quarterly Baseline Volumes" and "Revised Annual Volume Thresholds"). The adjustment shall be based on mail volumes equal to eighty percent (80%) of the total Standard Mail flats mailed by the acquired catalog brand or title in each of the four most recent, completed Agreement Quarters preceding the closing date of acquisition. Volume of the acquired title will be added to the respective and current Quarterly Baseline Volumes starting with the next Agreement Quarter beginning after the date of acquisition to establish Revised Quarterly Baseline Volumes through the fourth Agreement Quarter of that Agreement Year ("YOA"). The Revised Quarterly Baseline Volume will become effective on the first Agreement Quarter that begins after the acquisition, and the Revised Annual Volume Threshold will be the sum of the four Quarterly Baseline Volumes, using any Revised Quarterly Baseline Volumes that had mail volume added due to the acquisition. The quarterly volumes from the acquired company that apply to the next Agreement Year ("YFA") will be added to their respective

quarters after the Annual Baseline Threshold Adjustment and the resulting Quarterly Baseline Volumes are calculated for that year. The Annual Volume Threshold adjustment calculation for the YFA and the resulting Quarterly Baseline adjustments will be calculated using the Revised Annual Volume Threshold of YOA described above; after the new Quarterly Baseline Volume calculation for YFA, the quarterly volume adjustments from the acquisition that were not added in the YOA will be added to the respective Quarterly Baseline Volumes in the YFA. The Annual Volume Threshold for the YFA is then the sum of the four Quarterly Baseline Volumes after adjustment for the acquisition. The Parties agree to promptly review and agree on all adjustments for the YOA Revised Quarterly Baseline Volumes and YOA Revised Annual Volume Thresholds within thirty (30) days of any acquisition. New catalog brands or titles created by PHI, which will be mailed as PHI Eligible Mail will be added to this NSA volume for purposes of meeting the Annual Baseline Thresholds and the Quarterly Baseline Volumes and will be treated as incremental mail after notification to the Postal Service that a new catalog brand or title has been created. Since this new volume is incremental, the Annual Baseline Threshold and the Quarterly Baseline Volumes will not be adjusted for newly created catalogs or titles.

2. Divestiture of Existing Catalog Title. The Parties agree that the Quarterly Baseline Volumes and Annual Volume Thresholds will be adjusted downward to the extent that PHI divests itself of a catalog brand or title that was included in PHI Eligible Mail and Annual Volume Threshold calculations. The adjustment shall be based on mail volumes equal to the total PHI Eligible Mail volume lost from that catalog brand or title in each of the four most recent completed Agreement Quarters preceding the closing date of divestiture of the catalog brand or title. Such volume of the divested title will be subtracted from the respective and current Quarterly Baseline Volumes starting with the next Agreement Quarter beginning after the date of divestiture to establish new Quarterly Baseline Volumes through the fourth Agreement Quarter of that Agreement Year (“YOD”). The Revised Quarterly Baseline Volume will become effective on the first Agreement Quarter that begins after the divestiture, and the Revised Annual Volume Threshold will be the sum of the four Quarterly Baseline

Volumes, using any Revised Quarterly Baseline Volumes that had quantities subtracted due to the divestiture. The quarterly volumes from the divested brand that apply to the next Agreement Year ("YFD") will be subtracted from their respective quarters after the Annual Baseline Threshold Adjustment and the resulting Quarterly Baselines Volumes are calculated for that year. The Annual Volume Threshold adjustment calculation for YFD and the resulting Quarterly Baseline Adjustments will be calculated using the Revised Annual Threshold of the YOD described above; after the new Quarterly Baseline Volume calculation for YFD, the quarterly volume adjustments from the divestment that were not subtracted in the YOD will be subtracted from the respective Quarterly Baseline Volumes in the YFD. The Annual Baseline Threshold for the YFD is then the sum of the four Quarterly Baselines after adjustment for the divestment. The Parties agree to promptly review and agree on all adjustments for the YOD Revised Quarterly Baseline Volumes and YOD Revised Annual Thresholds within thirty (30) days of any divestment.

Assignment, Sale, Transfer or Merger. Neither Party may, or shall have the power to, assign its rights or delegate its obligations under the NSA except in connection with a transfer of all or a majority of PHI assets or stock to new ownership, without the prior consent of the other; such written consent is not to be unreasonably withheld. In addition, in the event that PHI is merged with or into another entity in connection with such sale or transfer, pricing under the NSA following such merger shall apply only to mail sent by the entity existing prior to the merger. Following any such merger, the Parties may negotiate in good faith to extend, modify or enter into a new Agreement applicable to the merged entity.

Termination. Throughout the term of the NSA, either Party may only terminate the NSA with thirty (30) days written notice to the other Party as a consequence of (i) an act of God, (ii) fraud, (iii) indictment, (iv) insolvency, (v) inability of either Party to perform under the NSA, (vi) total PHI domestic package volume originating from a PHI warehouse, delivered to a residence by the Postal Service is less than eighty percent (80%) of PHI's total outbound residential package volume, (vii) the determination by the

USPS at the end of any Agreement Year, based on published USPS cost data, that the agreement failed to produce positive contribution to USPS fixed costs from on the total incremental NSA volume in that year, or (viii) if ordered to terminate the NSA by a court with valid jurisdiction, or the Postal Regulatory Commission.

Expiration. The NSA shall expire five (5) years from the Implementation Date, unless (i) terminated or cancelled by one of the Parties; (ii) renewed by mutual agreement in writing, and subsequent approval by the Governors and the Commission; (iii) superseded by a subsequent Agreement between the Parties; (iv) ordered by a court; or (v) otherwise required to comply with subsequently enacted legislation.

Renewal Option. PHI has the option to renew the NSA for an additional period not to exceed five (5) years provided it meets certain criteria. To qualify for the exercise of the renewal option, PHI must have had an average annual volume of PHI Eligible Mail during Agreement Years Two, Three, and Four that exceeds the average Annual Thresholds for such years by at least ten percent (10%). If PHI qualifies to exercise such option, it shall give written notice of the exercise not more than three (3) months after the completion of Agreement Year Four. Within ninety (90) days after the exercise of the option, the parties shall complete a review of the discount structure specified in the NSA on the basis of the actual mix by sortation and drop entry level of PHI Eligible Mail, and the contribution received by the Postal Service therefrom, and shall in good faith negotiate such changes in the discount structure as may be appropriate to preserve the value of the NSA to both parties. Any such amended agreement shall be submitted for review and approval by the Board of Governors. Upon approval by the Board of Governors, the Postal Service shall make the requisite filings at the Postal Regulatory Commission to secure renewal of the Agreement, including temporary extension of the original term, if necessary, to complete the renewal. If the Agreement is renewed as herein provided, it shall remain in full force and effect for the term of years specified in the option. The Baseline Quarterly and Annual Thresholds for the First Year of the renewal period (Year Six of the Agreement) shall be calculated from the Annual and Quarterly Baselines in Year Five as specified in Section III of the Agreement, “Eligible Mail Thresholds and Calculations”.

ATTACHMENT D TO REQUEST
DATA COLLECTION PLAN

Not later than 90 days after the end of each contract year, the Postal Service shall provide to the Postal Regulatory Commission a report of:

1. PHI volumes entered by qualifying price category for the just ended contract year
2. PHI postage paid by qualifying price category for the just ended contract year
3. PHI package fulfillment volumes by service level
4. The adjusted Annual Baseline Threshold and the resulting Quarterly Baseline Volumes that will be used for the next contract year to establish PHI eligibility for rebates and payment of fines, and the underlying calculations.
5. The rebate paid to or penalty paid by PHI (if any) and the calculations underlying their determination.

ATTACHMENT E

STATEMENT OF SUPPORTING JUSTIFICATION

I, Bruce Allen, Manager of Pricing Innovation, am sponsoring this request that the Commission add the PHI Acquisitions NSA to the list of market-dominant products. This statement supports the Postal Service's request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. In addition, this statement provides the information required by 39 C.F.R. § 3010.42(b)-(e). I attest to the accuracy of the information contained herein.

(a) Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.

As demonstrated below, the change complies with the applicable statutory provisions.

(b) Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).

The objectives of section 3622(b) are as follows:

(b) Objectives.—Such system shall be designed to achieve the following objectives, each of which shall be applied in conjunction with the others:
(1) To maximize incentives to reduce costs and increase efficiency.
(2) To create predictability and stability in rates.
(3) To maintain high quality service standards established under section 3691.
(4) To allow the Postal Service pricing flexibility.
(5) To assure adequate revenues, including retained earnings, to maintain financial stability.
(6) To reduce the administrative burden and increase the transparency of the ratemaking process.
(7) To enhance mail security and deter terrorism.
(8) To establish and maintain a just and reasonable schedule for rates and classifications, however the objective under this paragraph shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail.
(9) To allocate the total institutional costs of the Postal Service appropriately between market-dominant and competitive products.

To a large extent, this NSA does not substantially alter the degree to which Standard Mail prices already address these objectives, or they are addressed by the design of the system itself (Objectives 1, 2, 3, 6, 7, 8, and 9). The NSA itself is an important example of the increased flexibility allowed the Postal Service under PAEA (Objective 4), and the fact that the NSA will provide an incentive for profitable new mail will enhance the financial position of the Postal Service (Objective 5).

In addition to the objectives specified and discussed above, section 3622(c) enumerates fourteen factors, or considerations, that must be taken into account, which are as follows:

(c) Factors.—In establishing or revising such system, the Postal Regulatory Commission shall take into account—

(1) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;

(2) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;

(3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;

(4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;

(5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

(6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;

(7) the importance of pricing flexibility to encourage increased mail volume and operational efficiency;

(8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

(9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery;

(10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including NSAs between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—

(A) either—

(i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or

(ii) enhance the performance of mail preparation, processing, transportation, or other functions; and

(B) do not cause unreasonable harm to the marketplace.

(11) the educational, cultural, scientific, and informational value to the recipient of mail matter;

(12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;

(13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail; and

(14) the policies of this title as well as such other factors as the Commission determines appropriate.

As with the Objectives of section 3622(b), the NSA does not substantially alter the degree to which Standard Mail prices address many of the Factors of section 3622(c) (Factors 1, 4, 5, 6, 8, 9, 11, 12, and 14). The NSA does encourage increased mail volume (Factor 7) by requiring PHI to maintain or increase the amount of contribution the Postal Service receives from its mail and by providing an opportunity to moderate price increases (Factor 3). In addition, the discounts provided in the NSA will not imperil the ability of Standard Mail (or this NSA) to cover its attributable costs (Factor 2). Also, because it requires the use of the Intelligent Mail barcode in order to qualify for rebates, the NSA promotes the use of intelligent mail (Factor 13). Finally, the NSA addresses the desirability of special classifications (Factor 10). As demonstrated in the attached financial model, the NSA will generate significant additional contribution to the Postal Service, thus improving its net financial position. In addition, the Postal Service stands ready to negotiate and implement functionally equivalent deals with similarly-situated mailers, as described in the body of this notice, so that there will be no unreasonable harm to the marketplace from a competitive advantage granted solely to PHI.

In *Newspaper Association of America v. Postal Rate Commission*,[1] the court, in applying the rational basis test to the Commission's interpretation of the meaning of "unreasonable harm to the marketplace"[2] found that, "so long as that meaning is rational and one the statutory language can bear", it must defer to the Commission. As the Commission concluded that "harm to the marketplace was "unreasonable" only if it was the result of anticompetitive pricing" (e.g., pricing below cost) and that "it was not

[1] *Newspaper Association of America v. Postal Rate Commission*, No.12-1367 (D.C. Cir. 2013), *available at* http://www.cadc.uscourts.gov/internet/opinions.nsf/1FFFEEF0188407A485257C240054FBA2/$file/12-1367-1466329.pdf.

[2] Ibid at 11-12, citing *Capital Network Sys., Inc. v. FCC*, 28 F.3d 201, 204 (D.C. Cir. 1994).

obligated to protect individual competitors of the parties to the Agreement from the harms of fair competition . . . , as long as the Postal Service is not pricing its products below costs to drive its competitors out of the business, it is not creating an unreasonable level of harm in the marketplace."[3] As in the case of Valassis Direct Mail, Inc., Dkt. MC2012-14, at 27 (Postal Regulatory Comm'n Aug. 23, 2012) (order) [hereinafter "Order No. 1448"], available at http://www.prc.gov/Docs/85/85014/Order_No_1448.pdf, the present Agreement does not create an unreasonable level of harm in the marketplace. As noted in Order No. 1448, as the terms of the present Agreement price all postage above cost, the rates in the NSA therefore are neither anticompetitive nor is the Agreement unreasonably harmful to the marketplace. Furthermore, "as long as the Postal Service is not pricing its products below costs to drive its competitors out of the business, it is not creating an unreasonable level of harm in the marketplace." [4] Since the terms of the Agreement price all postage above cost, the rates in the NSA are neither anticompetitive nor unreasonably harmful to the marketplace. In addition, the Commission is "not obligated to protect individual competitors of the parties to the Agreement from the harms of fair competition".[5]

(c) Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.

Not applicable. The Postal Service is proposing that this NSA be added to the market-dominant product list. See (e) below.

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[3] Ibid at 12, citing *Valassis Direct Mail, Inc.*, Dkt. MC2012-14, at 27 (Postal Regulatory Comm'n Aug. 23, 2012) (order) [hereinafter "Order No. 1448"], *available at* http://www.prc.gov/Docs/85/85014/Order_No_1448.pdf.
[4] Ibid,
[5] Ibid. The Court also noted in Order No. 1448, that fair competition is good for consumers even when it leads to "injury inflicted upon rivals." Citing Robert H. Bork, *The Antitrust Paradox* 136-44 (1978).

(d) Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs; (2) raise prices significantly; (3) decrease quality; or (4) decrease output.

Not applicable. The Postal Service is proposing that this NSA be added to the market-dominant product list. See (e) below.

(e) Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696 subject to the exceptions set forth in 39 U.S.C. § 601.

The NSA applies to pieces mailed as Standard Mail Carrier Route; therefore, all volume under the NSA is subject to the postal monopoly.

(f) Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.

None.

(g) Provide any information available on the views of those who use the product on the appropriateness of the proposed modification.

Having entered into this NSA with the Postal Service, PHI supports adding this product to the product list so that the contract terms can be effectuated.

(h) Provide a description of the likely impact of the proposed modification on small business concerns.

The Postal Service is unaware of any small businesses that could provide a similar service to PHI.

(i) Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.

Additional information is provided in the body of this request.